



REQUEST FOR PROPOSALS

Wind Power Up To 50 MW Avista Corporation August 2003

Introduction

Avista's 2003 Integrated Resource Plan ("IRP") includes wind within its acquisition strategy beginning in the 2008-10 timeframe. Based on this result, the IRP includes an action item for Avista to investigate wind integration issues. In support of an integration issues study, Avista is interested in purchasing up to 50 MW of nameplate wind capability over a term of between two and five years to gain operational experience with this innovative resource. Because the Company has identified a wind resource preference beginning in 2008, options for project ownership after the expiration of the purchase contract will be considered.

Avista's objective is to find the most economical wind option. All proposals will be evaluated based on their cost and overall usefulness to Avista. The Company welcomes ideas that Sponsors may feel better meet the objective of this Request for Proposals ("RFP").

General Considerations

Each proposal Sponsor shall be the business entity responsible for providing the product(s) bid in the RFP. Aspects of the Sponsor's proposal may be subject to negotiation to specifically define the operation of the proposed project, to ensure adequate credit support for the prospective seller, and to ensure that the delivered services will be consistent with Avista's needs. These

negotiations will be important in shaping the quality of the proposal services and will make certain that they add value for the Company. Negotiation with a given Sponsor shall not imply that such Sponsor's proposal will be selected. Executed contracts may be submitted to the Company's regulatory bodies for approval, as appropriate.

Proposal Preparation and Evaluation

Project Sponsors interested in responding to Avista's RFP must provide the appropriate information according to the RFP schedule. Avista will commence its evaluation of the RFP submittal at the time of the submittal deadline. All proposals will be retained by Avista and will not be returned to project Sponsors.

After completion of its initial evaluation process, Avista will notify those on a short list of Sponsors that their projects have been selected for further review and potential negotiation. Short listed Sponsors should be prepared to meet at Avista's corporate headquarters in Spokane, Washington to review their proposals. The short-listed Sponsors will be expected to remain prepared to deliver the services indicated in their original proposal, subject to any changes mutually agreed to as part of the negotiation process. Failure to adhere to the original proposal will be justification for Avista to cease negotiations and to reject the proposal.

Avista retains sole discretion to determine which proposal(s) will be selected for negotiation and further review. Avista will evaluate all proposals in the context of meeting overall least-cost objectives. Avista reserves the right to modify the RFP process to comply with regulatory orders, rules, regulations or guidelines. Questions regarding the RFP may be directed to Clint Kalich (509.495.4532) or Steve Silkworth (509.495.8093).

Schedule and Procedure

A. *RFP Schedule*

August 11, 2003	RFP is issued
September 15, 2003	Proposals due by noon
September 29, 2003	Award of contract(s)

B. *Submittal of Proposals.* One original and four (4) copies of all project proposals shall be submitted at the following address no later than noon on September 15, 2003:

Avista Utilities
ATTN: 2003 WIND RFP
C/o Clint Kalich, MSC-7
Post Office Box 3727
East 1411 Mission Avenue
Spokane, WA 99202-3727

The preparation and submission of a project proposal will be at the expense of the project Sponsor. Proposals will remain sealed until expiration of the solicitation period.

C. *Modification of Project Proposals.* Project Sponsors may make modifications to their proposals in writing, provided that such modifications are made prior to the submittal deadline.

D. *Initial Review of Project Proposals.* Avista will perform an initial review of each proposal to determine if all required information has been provided. Material deficiencies will disqualify a proposal from further consideration. Project Sponsors who are not selected because of material deficiencies in their response will be so notified. Avista may, at its sole option, grant an extension to cure deficiencies deemed immaterial to the RFP process. Avista expects to complete the initial review by September 19, 2003.

Confidentiality of Information

Avista will take reasonable precautions and use reasonable efforts to protect confidential information, which is clearly identified as such on the page on which confidential material appears; however, inasmuch as project proposals are subject to examination by the Washington Utilities and Transportation Commission (“WUTC”) pursuant to the WAC 480-107-070 (4), and by the Idaho Public Utilities Commission (“IPUC”), refusal to release confidential information to the WUTC or IPUC may adversely affect consideration of the project proposal.

Product Description

Avista seeks proposals for wind energy under the following terms and conditions.

Term. Deliveries shall be made for a period of between two and five years, commencing and ending between January 1, 2004 and December 31, 2008. Other terms will be considered; however, based on the Company’s requirements it does not anticipate a term exceeding five years.

Quantity. Avista is interested in obtaining between 25 MW and 50 MW of installed wind generating capability through this RFP. The Company will accept offers providing wind output during all twelve months of each year, or during all months excluding April, May, and June. Avista will consider combining projects smaller than 25 MW, but larger than one MW, to meet its overall quantity requirement.

Point of Delivery. Avista will accept delivery at the project busbar or at its system. Proposals excluding delivery to the Company’s system will be assessed delivery charges necessary to transport project energy to Avista on a firm basis. Direct delivery to Avista’s system can be made at the following points:

1. Wanapum – interconnection with multiple parties at mid-Columbia
2. Westside - BPA interconnection
3. Bell – BPA interconnection
4. Hatwai – BPA interconnection
5. Hot Springs – BPA and Montana interconnection
6. Lolo – Idaho interconnection

For purposes of responding to this RFP, Sponsors may assume that adequate transmission capacity exists at Avista's points of delivery listed above. Transmission limitations (if any) will be considered during the selection process. Sponsors interested in obtaining additional information with regard to transmission and integration are encouraged to contact Warren Clark (509.495.4532) of the Company's transmission planning group.

Price Structure. Given the expected variability in the annual and monthly shapes of the wind generation, Avista will consider proposals that provide for compensation on a per-MWh basis only. The Company will not consider proposals that transfer volumetric price risk to it, and will reject proposals with capacity or other reservation-like charges. Any federal tax credits shall remain with the Sponsor.

Green Tags. The Sponsor shall, in a timely manner (e.g., within five business days after the close of each contract month), provide all green tags associated with the project to Avista for the term of the sale.

Other. The Sponsor shall provide a detailed description of the project and shall describe the nature and characteristics including location, engineering data, and power interconnection and transmission arrangements. The Sponsor shall provide information regarding project ownership and operation. The Sponsor shall describe the extent to which it has (or has not) obtained all necessary means (e.g., permits, financing) to develop the project. Sponsors shall provide an estimate of expected annual energy generation and its monthly distribution, and are encouraged

to provide estimated historical monthly generation levels over an extended record of wind speeds.

General Qualifications List

Each Sponsor shall:

1. Provide three or more references from each of the last five projects where the Sponsor, or its affiliates, if appropriate, has implemented a power supply proposal similar to those proposed to Avista. These references can be a contact person with whom the Sponsor has transacted business. Provide telephone numbers for these references. If the Sponsor has fewer than three projects, the Sponsor shall provide as many references as possible.
2. Provide a general description of the Sponsor's background and experience in power supply projects similar to its proposal.
3. Provide its form of business classification (i.e., sole proprietorship, partnership, or corporation).
4. List all affiliated companies, including holding companies, subsidiaries, and predecessor companies presently or in the past engaged in developing and/or implementing power supply projects.
5. Provide a list of prior organizations for which key management team members have worked if such organizations have developed and/or implemented power supply projects.
6. List all lawsuits, regulatory proceedings, or arbitration in which the Sponsor or its affiliates or predecessors have been engaged. Identify the parties involved in such lawsuits, proceedings, or arbitration, and the final resolution or present status of such matters.
7. Detail specific environmental aspects of the power supply proposal.
8. Provide a statement of Sponsor's financial status and ability to obtain financing.
9. Provide a list of any current credit issues raised by rating agencies, banks, or accounting firms. Provide a list of all credit ratings from the major rating agencies, if available.

Evaluation and Ranking of Power Supply Proposals

Proposals will be evaluated and ranked against others bid into this RFP. Proposals will first be screened to ensure they meet the required criteria of the RFP. Selection will be based primarily on the criterion of price; however, the evaluation will be split into the following three principle areas: Electric Power Characteristics including ability of the project to meet size, timeline and other characteristics of Avista's need described in this RFP, and the ability of the operator to meet construction and operational commitments; Financial/ Price Characteristics including price and demonstrated adequacy of financial capability to construct and maintain projects; Social/Environmental Characteristics including an ability to meet local, state, and federal agency requirements, including permitting. Sponsors' proposals ranking highest during the screening and evaluation process will be selected for further negotiation. Negotiation will not guarantee an award of a written contract.

If any proposal receives an unacceptable rating in any category Avista may, at its sole discretion, eliminate that proposal from further review. However, Avista may request a Sponsor to correct minor deficiencies in order for the proposal to receive an overall acceptable rating.

LIMITATIONS

THERE SHALL BE NO BINDING CONTRACT UNTIL AVISTA AND THE SPONSOR HAVE EXECUTED A FINAL WRITTEN PURCHASE AND SALE AGREEMENT. THIS RFP DOES NOT CONSTITUTE AN OFFER BY AVISTA, AND SUBMITTAL OF A PROJECT PROPOSAL SHALL NOT BE DEEMED AN ACCEPTANCE. AVISTA RETAINS THE RIGHT IN ITS SOLE DISCRETION TO REJECT ANY AND ALL PROJECT PROPOSALS AT ANY TIME BEFORE EXECUTION OF A FINAL WRITTEN PURCHASE AND SALE AGREEMENT AND TO REVISE THE MILESTONE SCHEDULE SET FORTH HEREIN. AGREEMENTS MAY BE SUBMITTED TO THE IPUC AND/OR WUTC FOR APPROVAL, AS APPROPRIATE.